

CARROLL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 Election)		
Nicole Carroll	President	2006
Laurie Kasperbauer	Vice President	2007
LaVern Dirkx	Board Member	2008
Kim Tiefenthaler	Board Member	2008
Penny Harmening	Board Member	2006
Board of Education		
(After September 2006 Election)		
Laurie Kasperbauer	President	2007
Kim Tiefenthaler	Vice President	2008
Jerry Fleshner	Board Member	2009
Penny Harmening	Board Member	2009
LaVern Dirkx	Board Member	2008
School Officials		
Robert Cordes	Superintendent	2007
Gary Bengtson	Director of Business Affairs	2007
Gruhn Law Firm	Attorney	2007
Neu, Minnich, Comito and Neu, P.C.	Attorney	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll Community School District, Carroll, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

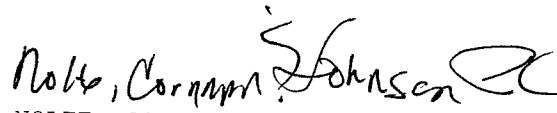
In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008 on our consideration of Carroll Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll Community School District's basic financial statements. Another auditor previously audited the three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Carroll Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,678,405 in fiscal 2006 to \$14,575,347 in fiscal 2007, while General Fund expenditures increased from \$13,384,596 in fiscal 2006 to \$14,046,190 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$1,350,547 in fiscal 2006 to a balance of \$1,879,879 in fiscal 2007, a 39.19% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2007. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- The District's solvency ratio increased from 7.24% in fiscal 2006 to 11.52% in fiscal 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Carroll Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Carroll Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Carroll Community School District Annual Financial Report

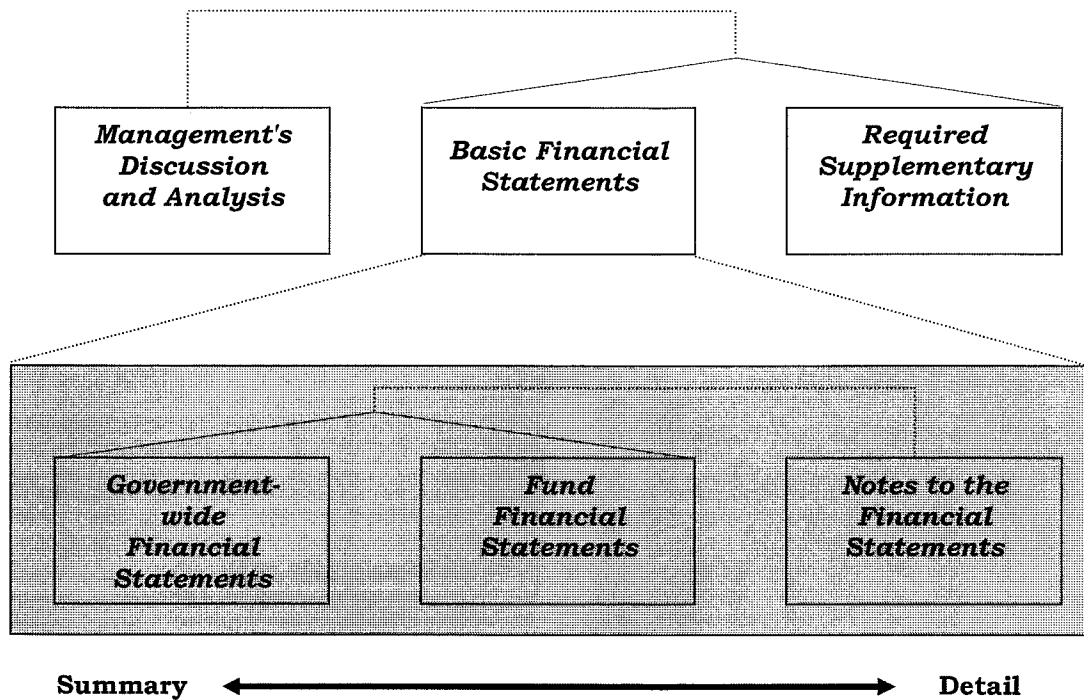


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 13,012,319	12,542,945	168,388	175,302	13,180,707	12,718,247	3.64%
Capital assets	15,809,682	15,940,871	76,769	78,384	15,886,451	16,019,255	-0.83%
Total assets	28,822,001	28,483,816	245,157	253,686	29,067,158	28,737,502	1.15%
Long-term obligations	4,610,925	5,286,344	0	0	4,610,925	5,286,344	-12.78%
Other liabilities	9,942,306	10,387,096	15,426	9,533	9,957,732	10,396,629	-4.22%
Total liabilities	14,553,231	15,673,440	15,426	9,533	14,568,657	15,682,973	-7.11%
Net assets:							
Invested in capital assets, net of related debt	11,314,682	10,685,913	76,769	78,384	11,391,451	10,764,297	5.83%
Restricted	1,344,045	1,093,443	0	0	1,344,045	1,093,443	22.92%
Unrestricted	1,610,043	1,031,020	152,962	165,769	1,763,005	1,196,789	47.31%
Total net assets	\$ 14,268,770	12,810,376	229,731	244,153	14,498,501	13,054,529	11.06%

The District's combined net assets increased by 11.06%, or \$1,443,972, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 22.92%, or \$250,602, over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$566,216, or 47.31%. This is due mainly to the increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 757,990	639,324	382,612	390,541	1,140,602	1,029,865	10.75%
Operating grants and contributions and restricted interest	2,131,434	1,923,459	348,511	321,772	2,479,945	2,245,231	10.45%
General revenues:							
Property tax	6,547,509	6,826,587	0	0	6,547,509	6,826,587	-4.09%
Local option sales and services tax	1,099,277	411,439	0	0	1,099,277	411,439	167.18%
Unrestricted state grants	6,299,089	5,975,326	0	0	6,299,089	5,975,326	5.42%
Other	392,941	460,435	6,496	4,952	399,437	465,387	-14.17%
Total revenues	17,228,240	16,236,570	737,619	717,265	17,965,859	16,953,835	5.97%
Program expenses:							
Governmental activities:							
Instructional	9,721,394	9,252,250	0	0	9,721,394	9,252,250	5.07%
Support services	4,687,471	4,006,841	2,072	0	4,689,543	4,006,841	17.04%
Non-instructional programs	145	0	749,969	709,875	750,114	709,875	5.67%
Other expenses	1,360,836	1,762,257	0	0	1,360,836	1,762,257	-22.78%
Total expenses	15,769,846	15,021,348	752,041	709,875	16,521,887	15,731,223	5.03%
Changes in net assets	1,458,394	1,215,222	(14,422)	7,390	1,443,972	1,222,612	18.11%
Beginning net assets	12,810,376	11,595,154	244,153	236,763	13,054,529	11,831,917	10.33%
Ending net assets	\$ 14,268,770	12,810,376	229,731	244,153	14,498,501	13,054,529	11.06%

In fiscal 2007, property tax and unrestricted state grants account for 74.57% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.12% of the revenue from business type activities.

The District's total revenues were approximately \$17.97 million of which \$17.23 million was for governmental activities and approximately \$0.74 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.9% increase in revenues and a 5.03% increase in expenses. Unrestricted state grants increased \$323,763 and local tax(property tax and local option sales tax) increased \$408,760 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$17,228,240 and expenses were \$15,769,846.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 9,721,394	9,252,250	5.07%	7,772,445	7,636,611	1.78%
Support services	4,687,471	4,006,841	16.99%	4,377,990	3,645,137	20.10%
Non-instructional programs	145	0	100.00%	145	0	100.00%
Other expenses	1,360,836	1,762,257	-22.78%	729,842	1,184,502	-38.38%
Totals	<u>\$ 15,769,846</u>	<u>15,021,348</u>	<u>4.98%</u>	<u>12,880,422</u>	<u>12,466,250</u>	<u>3.32%</u>

- The cost financed by users of the District's programs was \$757,990.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,131,434.
- The net cost of governmental activities was financed with \$6,547,509 in local tax, \$1,099,277 in local option sales and service tax, \$6,299,089 in state grants and \$260,222 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$737,619 and expenses were \$752,041. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Carroll Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,103,475, above last year's ending fund balances of \$2,106,190. However, the primary reason for the increase in combined fund balances is because of gains in fund balance by the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,350,547 in fiscal 2006 to \$1,879,879 in fiscal 2007.
- The Capital Projects fund balance overall increased from \$375,848 in fiscal 2006 to \$579,617 in fiscal 2007. The increase in fund balance is attributable to the increase in revenues being more than enough to offset the increase in fund expenditures.
- The Special Revenue – Management Levy Fund balance increased from \$197,510 in fiscal 2006 to \$347,875 in fiscal 2007. When comparing revenues and expenditures for this fund for fiscal 2006 and fiscal 2007, both revenues and expenditures increased, but the increase in revenues outpaced the increase in expenditures thus ensuring the gain in fund balance.

Proprietary Fund Highlights

The School Nutrition Fund's increase in federal revenues was not enough to offset the continued increase in food costs, and salaries and benefits. Overall, net assets decreased from \$244,153 at June 30, 2006 to \$229,731 at June 30, 2007, representing a decrease of 5.91%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$249,637 more than budgeted revenues, a variance of 1.41%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2007, the District adopted one budget amendment for reclassification of expenditures across functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$15,886,451, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.83% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$376,052.

The original cost of the District's capital assets was \$30,616,433. Governmental funds account for \$30,169,849 with the remainder of \$446,584 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$735,284 at June 30, 2006 as compared to \$1,041,950 at June 30, 2007. This increase is due to District purchases of transportation and technology related equipment during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 544,070	544,070	0	0	544,070	544,070	0.00%
Buildings	13,352,787	13,769,275	0	0	13,352,787	13,769,275	-3.02%
Land improvements	947,644	970,626	0	0	947,644	970,626	-2.37%
Machinery and equipment	965,181	656,900	76,769	78,384	1,041,950	735,284	41.71%
Total	\$ 15,809,682	15,940,871	76,769	78,384	15,886,451	16,019,255	-0.83%

Long-Term Debt

At June 30, 2007, the District had \$4,610,925 in general obligation bonds, compensated absences and other long-term debt outstanding. This represents a decrease of approximately 11.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$4,495,000 at June 30, 2007.

The District also had total outstanding compensated absences of \$51,601 at June 30, 2007.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$64,324 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	4,495,000	5,200,000	-13.6%
Compensated absences	51,601	0	100.0%
Early retirement	64,324	22,132	190.6%
Total	\$ 4,610,925	5,222,132	-11.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Enrollment in the Carroll Community School District has declined approximately 3.81% or 72 students over the past five years. The statewide enrollment trend over the same five years is down 1.42%. It is anticipated that enrollment will exhibit a slight downward trend over the next several years. Factors affecting enrollment include the declining number of resident non-public students taking shared-time classes offered by the Carroll Community School District. To offset this, a growing number of Ar-We-Va Community School District students are taking classes on a shared basis at Carroll High School.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2007, the Carroll Community School District had thirty-nine students enrolled out of the district and sixty-nine students enrolled into the district.
- State allowable growth over the past five years has averaged 2.20%. With its decline in enrollment, the Carroll Community School District has averaged just under 2% allowable growth over this same period. While state allowable growth has fluctuated from 0% to 4% over the last decade, the last two years have been set at 4%. It would appear that allowable growth will remain at 4% through the 2008-2009 school year. Financial stability at the state level will assist Iowa school districts in adequately planning for future needs.

-
- In the fall of 2004, the Carroll community School District established a Finance Committee to evaluate the current and future financial needs of the District. This committee, comprised of a cross-section of community members, recommended a two-part plan to the Board of Education in April of 2005. The plan involved the implementation of a one-cent sales tax and approval of an instructional support levy.
 - On August 16, 2005, the District held a special election on a one percent School Infrastructure Local Option Sales Tax. The referendum passed with a 62% approval rate. This additional tax will generate approximately one million dollars annually for the District for ten years. Funds may only be used for infrastructure, major equipment purchases, and property tax relief in the Debt Service Fund. The District has committed \$400,000 annually for property tax relief.
 - The District held an election on February 14, 2006 to decide the question whether the District should implement an instructional support levy. The levy failed having received only 23% of the total vote. The levy would have generated approximately \$800,000 annually and would have been used for staff development, class size reduction, textbooks and other General Fund budget expenditures. It is anticipated the District will attempt to implement this levy again in early 2008.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 1,802,465	0	1,802,465
Other	4,184,751	141,043	4,325,794
Receivables:			
Property tax:			
Delinquent	46,159	0	46,159
Succeeding year	6,529,169	0	6,529,169
Accounts	601	3,458	4,059
Accrued interest:			
ISCAP (Note 4)	31,016	0	31,016
Due from other governments	401,924	0	401,924
Inventories	0	18,860	18,860
Prepaid expenses	16,234	5,027	21,261
Capital assets, net of accumulated depreciation (Note 5)	15,809,682	76,769	15,886,451
TOTAL ASSETS	28,822,001	245,157	29,067,158
LIABILITIES			
Accounts payable	151,849	42	151,891
Salaries and benefits payable	1,393,190	3,328	1,396,518
ISCAP warrants payable (Note 4)	1,806,000	0	1,806,000
ISCAP interest payable (Note 4)	12,958	0	12,958
ISCAP unamortized premium	10,451	0	10,451
Accrued interest payable	33,462	0	33,462
Deferred revenue:			
Succeeding year property tax	6,529,169	0	6,529,169
Other	5,227	0	5,227
Unearned revenue	0	12,056	12,056
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	460,000	0	460,000
Early retirement payable	51,698	0	51,698
Compensated absences	51,601	0	51,601
Portion due after one year:			
General obligation bonds payable	4,035,000	0	4,035,000
Early retirement payable	12,626	0	12,626
TOTAL LIABILITIES	14,553,231	15,426	14,568,657
NET ASSETS			
Invested in capital assets, net of related debt	11,314,682	76,769	11,391,451
Restricted for:			
Beginning teacher mentoring	812	0	812
Additional teacher contract day	1,414	0	1,414
Market factor	12,193	0	12,193
Talented and gifted	57,854	0	57,854
Early intervention	112,500	0	112,500
Management levy	283,551	0	283,551
Physical plant and equipment levy	126,924	0	126,924
Capital projects	579,617	0	579,617
Debt service	22,716	0	22,716
Other special revenue purposes	146,464	0	146,464
Unrestricted	1,610,043	152,962	1,763,005
TOTAL NET ASSETS	\$ 14,268,770	229,731	14,498,501

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,892,217	498,092	1,033,390	(4,360,735)	0	(4,360,735)
Special instruction	1,931,824	48,720	136,163	(1,746,941)	0	(1,746,941)
Other instruction	1,897,353	190,241	42,343	(1,664,769)	0	(1,664,769)
	9,721,394	737,053	1,211,896	(7,772,445)	0	(7,772,445)
Support services:						
Student services	391,175	0	0	(391,175)	0	(391,175)
Instructional staff services	544,927	0	0	(544,927)	0	(544,927)
Administration services	1,536,857	0	0	(1,536,857)	0	(1,536,857)
Operation and maintenance of plant services	1,203,127	0	0	(1,203,127)	0	(1,203,127)
Transportation services	1,011,385	20,937	288,544	(701,904)	0	(701,904)
Other support services	0	0	0	0	0	0
	4,687,471	20,937	288,544	(4,377,990)	0	(4,377,990)
Non-instructional programs:						
Food service operations	145	0	0	(145)	0	(145)
Other expenditures:						
Facilities acquisitions	0	0	0	0	0	0
Long-term debt interest	220,075	0	0	(220,075)	0	(220,075)
AEA flowthrough	630,994	0	630,994	0	0	0
Depreciation (unallocated)*	509,767	0	0	(509,767)	0	(509,767)
	1,360,836	0	630,994	(729,842)	0	(729,842)
Total governmental activities	15,769,846	757,990	2,131,434	(12,880,422)	0	(12,880,422)
Business-Type activities:						
Non-instructional programs:						
Support services:						
Administration services	709	0	0	0	(709)	(709)
Operation and maintenance of plant services	1,383	0	0	0	(1,383)	(1,383)
Nutrition services	749,949	382,612	348,511	0	(18,826)	(18,826)
	752,041	382,612	348,511	0	(20,918)	(20,918)
Total	\$ 16,521,887	1,140,602	2,479,945	(12,880,422)	(20,918)	(12,901,340)
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,832,576	0	5,832,576
Debt service				533,701	0	533,701
Capital outlay				181,232	0	181,232
Local option sales and services tax				1,099,277	0	1,099,277
Unrestricted state grants				6,299,089	0	6,299,089
Unrestricted investment earnings				260,222	6,496	266,718
Gain on asset sale				175	0	175
Other				132,544	0	132,544
Total general revenues				14,338,816	6,496	14,345,312
Changes in net assets				1,458,394	(14,422)	1,443,972
Net assets beginning of year				12,810,376	244,153	13,054,529
Net assets end of year				\$ 14,268,770	229,731	14,498,501

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 1,802,465	0	1,802,465
Other	3,068,796	1,115,955	4,184,751
Receivables:			
Property tax			
Delinquent	37,894	8,265	46,159
Succeeding year	5,662,652	866,517	6,529,169
Accounts	601	0	601
Accrued ISCAP interest(Note 4)	31,016	0	31,016
Due from other governments	285,297	116,627	401,924
Prepaid expenses	16,234	0	16,234
TOTAL ASSETS	\$ 10,904,955	2,107,364	13,012,319
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 134,598	17,251	151,849
Salaries and benefits payable	1,393,190	0	1,393,190
ISCAP warrants payable(Note 4)	1,806,000	0	1,806,000
ISCAP interest payable(Note 4)	12,958	0	12,958
ISCAP unamortized premium	10,451	0	10,451
Deferred revenue:			
Succeeding year property tax	5,662,652	866,517	6,529,169
Other	5,227	0	5,227
Total liabilities	9,025,076	883,768	9,908,844
Fund balances:			
Reserved for:			
Beginning teacher mentoring	812	0	812
Additional teacher contract day	1,414	0	1,414
Market factor	12,193	0	12,193
Talented and gifted	57,854	0	57,854
Early intervention	112,500	0	112,500
Prepaid expenses	16,234	0	16,234
Unreserved:			
Undesignated:			
General	1,678,872	0	1,678,872
Management levy	0	347,875	347,875
Physical plant and equipment levy	0	126,924	126,924
Capital projects	0	579,617	579,617
Debt service	0	22,716	22,716
Other special revenue purposes	0	146,464	146,464
Total fund balances	1,879,879	1,223,596	3,103,475
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,904,955	2,107,364	13,012,319

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 3,103,475
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	15,809,682
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(33,462)
Long-term liabilities, including general obligation bonds, revenue bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(4,610,925)
Net assets of governmental activities (page 14)	\$ 14,268,770

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 5,373,640	1,195,647	6,569,287
Local option sales and service tax	0	1,099,277	1,099,277
Tuition	473,976	0	473,976
Other	356,523	378,662	735,185
Intermediate sources	19,285	0	19,285
State sources	7,846,038	910	7,846,948
Federal sources	505,885	0	505,885
Total revenues	14,575,347	2,674,496	17,249,843
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	5,801,679	168,098	5,969,777
Special instruction	1,927,109	0	1,927,109
Other instruction	1,550,530	337,003	1,887,533
	9,279,318	505,101	9,784,419
Support services:			
Student services	390,182	0	390,182
Instructional staff services	424,868	114,091	538,959
Administration services	1,489,353	8,243	1,497,596
Operation and maintenance of plant services	1,077,687	123,048	1,200,735
Transportation services	753,788	462,244	1,216,032
	4,135,878	707,626	4,843,504
Non-instructional programs:			
Food service operations	0	145	145
Other expenditures:			
Facilities acquisitions	0	65,729	65,729
Long-term debt:			
Principal	0	705,000	705,000
Interest and fiscal charges	0	222,942	222,942
AEA flowthrough	630,994	0	630,994
	630,994	993,671	1,624,665
Total expenditures	14,046,190	2,206,543	16,252,733
Excess of revenues over expenditures	529,157	467,953	997,110
Other financing sources(uses):			
Transfer in	0	400,000	400,000
Transfer out	0	(400,000)	(400,000)
Sale of equipment and materials	175	0	175
Total other financing sources(uses)	175	0	175
Net change in fund balances	529,332	467,953	997,285
Fund balance beginning of year	1,350,547	755,643	2,106,190
Fund balance end of year	\$ 1,879,879	1,223,596	3,103,475

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 997,285

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 622,829	
Depreciation expense	(754,018)	(131,189)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are the following:

Repaid	705,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,867

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

(21,778)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (42,190)	
Compensated absences	(51,601)	(93,791)

Changes in net assets of governmental activities (page 15) \$ 1,458,394

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 141,043
Accounts receivable	3,458
Inventories	18,860
Prepaid expenses	5,027
Capital assets, net of accumulated depreciation(note 5)	76,769
TOTAL ASSETS	<u>245,157</u>
LIABILITIES	
Accounts payable	42
Salaries and benefits payable	3,328
Unearned revenue	12,056
TOTAL LIABILITIES	<u>15,426</u>
NET ASSETS	
Invested in capital assets	76,769
Unrestricted	152,962
TOTAL NET ASSETS	<u>\$ 229,731</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 382,612</u>
OPERATING EXPENSES:	
Support services:	
Administration services:	
Services	668
Other	21
Operation and maintenance of plant services	
Supplies	<u>1,383</u>
Total support services	<u>2,072</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	239,673
Benefits	101,892
Services	17,322
Supplies	375,850
Other	907
Depreciation	<u>14,325</u>
Total non-instructional programs	<u>749,969</u>
TOTAL OPERATING EXPENSES	<u>752,041</u>
OPERATING LOSS	<u>(369,429)</u>
NON-OPERATING REVENUES:	
State sources	9,611
Federal sources	338,900
Interest income	<u>6,496</u>
TOTAL NON-OPERATING REVENUES	<u>355,007</u>
Change in net assets	(14,422)
Net assets beginning of year	<u>244,153</u>
Net assets end of year	<u>\$ 229,731</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 379,913
Cash received from miscellaneous operating activities	2,157
Cash payments to employees for services	(343,264)
Cash payments to suppliers for goods or services	(365,310)
Net cash used in operating activities	(326,504)
Cash flows from non-capital financing activities:	
State grants received	9,611
Federal grants received	304,551
Net cash provided by non-capital financing activities	314,162
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(12,710)
Cash flows from investing activities:	
Interest on investments	6,496
Net decrease in cash and cash equivalents	(18,556)
Cash and cash equivalents at beginning of year	159,599
Cash and cash equivalents at end of year	\$ 141,043
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (369,429)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	34,349
Depreciation	14,325
Increase in prepaid expenses	(5,027)
Increase in inventories	(3,550)
Increase in accounts receivable	(3,066)
Increase in accounts payable	42
Increase in salaries and benefits payable	3,328
Increase in deferred revenue	2,524
Net cash used in operating activities	\$ (326,504)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 141,043

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$34,349.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Carroll, Breda, Dedham, Halbur, Roselle, Mt. Carmel, Willey, Lidderdale, Templeton, and Maple River Iowa, and the predominate agricultural territory of Carroll County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Carroll Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Carroll Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has

been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,149,324</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

Governmental Accounting Standards Board Statement Number 3 requires the District's investments to categorize to give an indication of the level of risk assumed by the District at year end. The HH Series Bonds held by the District are stated at fair value and are not subject to the risk categorization previously mentioned.

At June 30, 2007, the District had an investment in HH series bond in the amount as follows:

	Fair Value
HH Series Bond	\$ 35,000

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 400,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/2006	6/28/2007	\$ 0	14,860		
2006-07B	1/26/2007	1/25/2008	701,207	15,827	703,000	12,687
2007-08A	6/27/2007	6/27/2008	1,101,258	329	1,103,000	271
			<u>\$ 1,802,465</u>	<u>31,016</u>	<u>1,806,000</u>	<u>12,958</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn,

then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006/07A	\$ 0	500,000	500,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 544,070	0	0	544,070
Total capital assets not being depreciated	544,070	0	0	544,070
Capital assets being depreciated:				
Buildings	20,057,201	59,074	0	20,116,275
Land improvements	1,506,073	11,223	0	1,517,296
Machinery and equipment	7,790,148	552,532	350,472	7,992,208
Total capital assets being depreciated	29,353,422	622,829	350,472	29,625,779
Less accumulated depreciation for:				
Buildings	6,287,926	475,562	0	6,763,488
Land improvements	535,447	34,205	0	569,652
Machinery and equipment	7,133,248	244,251	350,472	7,027,027
Total accumulated depreciation	13,956,621	754,018	350,472	14,360,167
Total capital assets being depreciated, net	15,396,801	(131,189)	0	15,265,612
Governmental activities capital assets, net	\$ 15,940,871	(131,189)	0	15,809,682
Business-type activities:				
Machinery and equipment	\$ 433,874	12,710	0	446,584
Less accumulated depreciation	355,490	14,325	0	369,815
Business-type activities capital assets, net	\$ 78,384	(1,615)	0	76,769

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 10,050
Other	5,229
Support services:	
Instructional services	670
Administration	2,320
Operation and maintenance	11,723
Transportation	112,270
	<u>142,262</u>
Unallocated depreciation	<u>219,465</u>
Total governmental activities depreciation expense	<u>\$ 361,727</u>

Business-type activities:

Food services	<u>\$ 14,325</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 5,200,000	0	705,000	4,495,000	460,000
Compensated Absences	0	51,601	0	51,601	51,601
Early Retirement	22,132	42,192	0	64,324	43,289
Total	<u>\$ 5,222,132</u>	<u>93,793</u>	<u>705,000</u>	<u>4,610,925</u>	<u>554,890</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of May 1, 2001			
		Principal	Interest	Total	
2008	4.25 %	\$ 460,000	196,115	656,115	
2009	4.25	480,000	176,932	656,932	
2010	4.25	500,000	156,440	656,440	
2011	4.25	525,000	134,597	659,597	
2012	4.25	545,000	111,143	656,143	
2013	4.25	570,000	86,460	656,460	
2014	4.25	595,000	60,035	655,035	
2015	4.50	620,000	31,865	651,865	
2016	5.00	200,000	7,300	207,300	
Total		<u>\$ 4,495,000</u>	<u>960,887</u>	<u>5,455,887</u>	

Early Retirement

The District offers a voluntary early retirement plan to all District employees. Eligible employees must be at least age fifty-five on or before July 1st the year of the retirement request. Eligible employees must have completed twenty years of continuous service or thirty years of non-continuous service to

the District. The applicant must submit a written resignation to resign from the existing contract and the resignation may be contingent upon approval by the Board of Education. The application for the program must be submitted to the Superintendent on or before January 15th of the last current school year of employment. The early retirement incentive for each eligible certified employee is equal to a cash payment of 50% of the employee's base salary calculated by using the current year regular salary schedule, and subject to a maximum of \$14,000 per individual, to be paid on July 1st, in the employee's name to the 403(b) employer sponsored defined contribution plan. At the option of the Board, the payment could be made over a period of time not to exceed five years. During the year ended June 30, 2007, the District did not pay any early retirement benefits.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$488,870, \$479,446 and \$471,144 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$630,994 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,877,725	389,108	9,266,833	9,081,522	9,081,522	185,311
Intermediate sources	19,285	0	19,285	1,000	1,000	18,285
State sources	7,846,948	9,611	7,856,559	7,790,303	7,790,303	66,256
Federal sources	505,885	338,900	844,785	865,000	865,000	(20,215)
Total revenues	17,249,843	737,619	17,987,462	17,737,825	17,737,825	249,637
Expenditures:						
Instruction	9,784,419	0	9,784,419	10,219,122	10,219,122	434,703
Support services	4,843,504	2,092	4,845,596	6,636,060	5,776,060	930,464
Non-instructional programs	145	749,949	750,094	0	760,000	9,906
Other expenditures	1,624,665	0	1,624,665	1,696,365	1,796,365	171,700
Total expenditures	16,252,733	752,041	17,004,774	18,551,547	18,551,547	1,546,773
Excess of revenues over expenditures	997,110	(14,422)	982,688	(813,722)	(813,722)	1,796,410
Other financing sources, net	175	0	175	(398,000)	(398,000)	398,175
Excess of revenues and other financing sources over expenditures	997,285	(14,422)	982,863	(1,211,722)	(1,211,722)	2,194,585
Balance beginning of year	2,106,190	244,153	2,350,343	2,072,739	2,072,739	277,604
Balance end of year	\$ 3,103,475	229,731	3,333,206	861,017	861,017	2,472,189

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District adopted one budget amendment for expense reclassification with no increase in total expenditures.

OTHER SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 344,481	157,817	131,569	633,867	462,990	19,098	1,115,955
Receivables:							
Property tax							
Current year delinquent	3,394	0	1,253	4,647	0	3,618	8,265
Succeeding year	425,000	0	185,102	610,102	0	256,415	866,517
Due from other governments	0	0	0	0	116,627	0	116,627
TOTAL ASSETS	\$ 772,875	157,817	317,924	1,248,616	579,617	279,131	2,107,364
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 0	11,353	5,898	17,251	0	0	17,251
Deferred revenue:							
Succeeding year property tax	425,000	0	185,102	610,102	0	256,415	866,517
Total liabilities	425,000	11,353	191,000	627,353	0	256,415	883,768
Fund balances:							
Reserved for debt service	0	0	0	0	0	22,716	22,716
Unreserved	347,875	146,464	126,924	621,263	579,617	0	1,200,880
Total fund balances	347,875	146,464	126,924	621,263	579,617	22,716	1,223,596
TOTAL LIABILITIES AND FUND BALANCES	\$ 772,875	157,817	317,924	1,248,616	579,617	279,131	2,107,364

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 480,714	0	181,232	661,946	1,099,277	533,701	2,294,924
Other	30,178	329,965	3,001	363,144	14,120	1,398	378,662
State sources	370	0	139	509	0	401	910
TOTAL REVENUES	511,262	329,965	184,372	1,025,599	1,113,397	535,500	2,674,496
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	168,098	0	0	168,098	0	0	168,098
Other instruction	0	337,003	0	337,003	0	0	337,003
Support services:							
Instructional staff services	0	0	41,215	41,215	72,876	0	114,091
Administration services	8,177	0	66	8,243	0	0	8,243
Operation and maintenance of plant services	123,048	0	0	123,048	0	0	123,048
Transportation services	61,429	0	0	61,429	400,815	0	462,244
Non-instructional programs:							
Food service operations	145	0	0	145	0	0	145
Other expenditures:							
Facilities acquisition	0	0	29,792	29,792	35,937	0	65,729
Long-term debt:							
Principal	0	0	0	0	0	705,000	705,000
Interest and fiscal charges	0	0	0	0	0	222,942	222,942
TOTAL EXPENDITURES	360,897	337,003	71,073	768,973	509,628	927,942	2,206,543
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	150,365	(7,038)	113,299	256,626	603,769	(392,442)	467,953
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	400,000	400,000
Transfers out	0	0	0	0	(400,000)	0	(400,000)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	0	0	(400,000)	400,000	0
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	150,365	(7,038)	113,299	256,626	203,769	7,558	467,953
FUND BALANCE BEGINNING OF YEAR	197,510	153,502	13,625	364,637	375,848	15,158	755,643
FUND BALANCE END OF YEAR	\$ 347,875	146,464	126,924	621,263	579,617	22,716	1,223,596

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
ISJIT investment	\$ 25,543	1,307	0	26,850
Interest	10,538	1,317	0	11,855
Drama	7,855	3,930	4,255	7,530
Speech	2,336	1,127	2,133	1,330
Vocal	8,708	19,442	19,480	8,670
HS band	379	14,309	14,688	0
Football	4,634	20,475	19,977	5,132
Wrestling	12,378	2,146	14,524	0
Volleyball	0	3,411	3,411	0
Sports camp	787	0	0	787
Basketball	2,844	20,709	23,553	0
Soccer	624	3,305	3,929	0
Baseball-softball	1,582	21,448	19,452	3,578
Track	0	5,342	5,342	0
Golf	0	1,264	1,264	0
Swimming	1,548	2,591	2,429	1,710
Activity tickets	14,240	74,841	67,789	21,292
Letterwinners	106	0	0	106
Weight room	3,531	1,957	4,045	1,443
Tiger banner newspaper	431	0	0	431
Cheerleaders	2,264	5,128	6,547	845
HS class accounts	1,513	6,298	6,616	1,195
Concessions	1,043	27,798	26,497	2,344
Academic competitions	4,287	3,185	1,651	5,821
FFA	10,755	46,212	46,978	9,989
FCCLA	1,676	732	273	2,135
National Honor Society	1,081	261	759	583
Tiger trends	1,779	0	0	1,779
HS student council	3,851	6,036	4,978	4,909
Fine arts festival	910	0	0	910
Yearbook	4,884	17,119	19,389	2,614
Dance/Drill team	5,341	3,561	4,724	4,178
MS band	880	619	414	1,085
MS G+T Store	2,088	1,601	1,008	2,681
MS student council	154	6,865	6,609	410
MS youth market place	826	0	0	826
MS destination imagination	2,054	32	0	2,086
Adams student council	10,052	5,597	4,289	11,360
Total	\$ 153,502	329,965	337,003	146,464

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources	8,877,725	8,335,891	7,488,451	7,546,200
Intermediate sources	19,285	0	65	228
State sources	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	505,885	546,403	698,099	661,011
Total	\$ 17,249,843	16,235,833	15,337,550	14,683,954
Expenditures:				
Instruction:				
Regular instruction	\$ 5,969,777	6,519,588	5,643,087	5,708,589
Special instruction	1,927,109	1,724,461	1,984,390	2,153,381
Other instruction	1,887,533	1,008,200	1,117,162	1,066,924
Support services:				
Student services	390,182	377,605	479,114	524,577
Instructional staff services	538,959	371,027	481,170	296,238
Administration services	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance of plant services	1,200,735	1,073,745	1,071,520	1,039,436
Transportation services	1,216,032	775,040	786,821	708,661
Other support services	0	0	435,669	1,003
Non-instructional programs	145	0	0	0
Other expenditures:				
Facilities acquisitions	65,729	38,090	61,717	260,167
Long-term debt:				
Principal	705,000	950,000	915,000	895,831
Interest and other charges	222,942	291,216	325,908	306,827
AEA flow-through	630,994	584,151	570,404	565,814
Total	\$ 16,252,733	15,122,547	15,152,953	14,734,201

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 07	\$ 34,349
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	33,810
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	227,696
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 07	872
			<u>262,378</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 07	<u>42,173</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>204,256</u>
SERVICES FOR CHILDREN WITH DEAF/BLINDNESS	84.025	FY 07	<u>600</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>135,563</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>21,655</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 07	<u>3,413</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>6,629</u>

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 06	<u>9,455</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>90,168</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 07	<u>12,796</u>
TOTAL			<u>\$ 823,435</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Carroll Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Carroll, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Carroll Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Carroll Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Carroll Community School District's financial statements that is more than inconsequential will not be prevented or detected by Carroll Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Carroll Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Carroll Community School District

Compliance

We have audited the compliance of Carroll Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll Community School District's management. Our responsibility is to express an opinion on Carroll Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carroll Community School District's compliance with those requirements.

In our opinion, Carroll Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Carroll Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Carroll Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Carroll Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Carroll Community School District's responses and, accordingly, we express no opinion on them.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did not qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Check Signatures - Checks written for transfers of the District's money between funds only have one signature. The board president is not signing these checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will ensure that all checks will have two signatures as required by Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-B-07 Receipting/Depositing Process - During our audit, we noted that bank deposit slips do not contain detail of the composition of the deposit.

We also noted that the District's procedures for bringing money to the central office were not being followed every time. The procedure is that a person from each building brings money to be deposited to the central office daily along with a prepared deposit slip and receipts making up the deposit. However, the actual practice from the other buildings is to either mail the money and deposit slip to the central office or have an undesignated District employee take the money to the central office if that person is going to the central office.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

The District should review with employees the importance of following District procedures at all times when bringing money to the central office for deposit. The District should consider designating an employee to courier to and from each building. Once money is brought to the central office, the money should be counted again for accuracy as well as making sure detail is written on each deposit slip.

Response - The District will implement a procedure to courier money from outlying buildings to the central office. Individuals who prepare deposit slips will identify which receipts are included and the amount of currency included in the deposit.

Conclusion - Response accepted.

- II-C-07 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The rents are currently being receipted into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will deposit rent receipts into the General Fund as required by Chapter 297.9 of the Code of Iowa.

Conclusion - Response accepted.

- I-D-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target and Box Tops donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General Fund for use in all instructional supplies/services.

There are interest accounts in the Student Activity Fund. Moneys in these accounts should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

The Student Council conducts a fundraiser for the purpose of giving a scholarship to a graduating senior. However, it was noted that when the scholarship was awarded to the student, the check was being written directly to the student. In the future, the money fundraised for scholarships should be recorded in the Private-Purpose Trust Fund. The District should write the check to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

The District writes various checks throughout the year for meal money for students that participate at state events as well as change boxes for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District will make the following changes in the Student Activity Fund:

Donations from Target and Box Tops will be receipted into the General Fund for use in all instructional supplies/services.

Allocation of interest earned in the Student Activity fund will be done annually to the individual activity account that earned the interest.

Money raised for scholarships will be recorded into the Private-Purpose Trust Fund and students will be required to provide documentation of attendance before the scholarship check is written to the trade school/university.

Checks written for meal money for students participating in state events will be written to the custodian/sponsor for the event.

Conclusion - Response accepted.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the budgeted amounts.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Tiefenthaler, Board Member Stockholder, Paul and Wayne's Inc.	Repairs	\$8,487
Laurie Kasperbauer, Board Member Stockholder, Kasperbauer Cleaners	Laundry services	\$9,554

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with District Board Members do not appear to represent a conflict of interest because the services provided are competitively bid.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will obtain and retain images of both the front and back of cancelled checks as required.

Conclusion - Response accepted.